# MATTAGAMI LAKE MINES LIMITED

(NO PERSONAL LIABILITY)

*annual report 1970*

# MATTAGAMI LAKE MINES LIMITED

(No Personal Liability)

**ANNUAL MEETING** — Mattagami Lake Mines Limited. Le Chateau Champlain, Montreal, Quebec, on Wednesday the 14th day of April, 1971, at 11:00 o'clock in the forenoon (Montreal time).

MATTAGAMI LAKE MINES LIMITED *(Incorporated under the laws of Quebec)*
(NO PERSONAL LIABILITY)

Head Office: MATAGAMI, QUEBEC

| | |
|---|---|
| EXECUTIVE OFFICE | 44 King St. West, Toronto, Ontario |
| MINE OFFICE | Matagami, Quebec |
| GENERAL MANAGER | M. W. AIRTH |
| AUDITORS | PEAT, MARWICK, MITCHELL & CO.<br><br>Toronto, Ontario |
| REGISTRAR AND TRANSFER AGENT | CANADA PERMANENT TRUST COMPANY<br><br>Vancouver, Calgary, Saskatoon, Winnipeg, Toronto, Montreal, St. John, N.B., Halifax, Charlottetown, St. John's, Nfld. |
| SOLICITORS | MILLER, THOMSON, HICKS, SEDGEWICK, LEWIS & HEALY |
| BANKERS | CANADIAN IMPERIAL BANK OF COMMERCE<br><br>THE BANK OF NOVA SCOTIA |

DIRECTORS

| | |
|---|---|
| M. W. AIRTH | Matagami |
| J. M. R. CORBET | Toronto |
| R. G. DUTHIE | Vancouver |
| F. E. HALL | Toronto |
| R. LETOURNEAU | Quebec |
| T. H. McCLELLAND | Vancouver |
| R. V. PORRITT | Toronto |
| J. B. REDPATH | Toronto |
| W. S. ROW | Toronto |
| W. DENT SMITH | Toronto |

OFFICERS

| | |
|---|---|
| W. S. ROW | President |
| T. H. McLELLAND | Vice-President |
| M. W. AIRTH | General Manager |
| R. C. ASHENHURST | Secretary and Treasurer |
| B. C. BONE | Assistant Treasurer |
| B. H. GROSE | Assistant Secretary |

## REPORT OF THE DIRECTORS

**To the Shareholders:**

Your Directors submit herewith the Twelfth Annual Report of your Company for the year ended December 31, 1970.

Ore milled during the year was 1,430,864 tons, up from 1,413,651 in 1969. The grade of ore milled was slightly lower in both zinc and copper and this, combined with lower prices for zinc, loss of premium on U.S. dollars earned by exports and increased costs resulted in a reduction in profit from $9,094,700 ($1.38 per share) in 1969 to $7,911,876 ($1.20 per share) in 1970.

Every effort is made to increase mechanization and improve technology and while these efforts have been successful, they cannot fully offset increased wages and material costs.

Interim dividends of 30¢ per share were paid quarterly and an extra of 30¢ was paid in December for a total of $1.50 per share.

A further dividend of 30¢ per share has been declared payable on the 22nd of March, 1971.

### AT THE MINE

Operations were at full normal capacity. Ore reserves, after the addition of some 886,000 tons of lower than average grade ore, are 16,696,000 tons showing a depletion for the year of only 549,722 tons.

### ZINC REDUCTION PLANT

The electrolytic zinc plant at Valleyfield, P.Q. produced 124,130 tons of slab zinc and 513,000 pounds of cadmium. Recent technological improvements have increased recoveries significantly. Mattagami owns 62.5% of this plant.

St. Lawrence Fertilizers, regarded primarily as an outlet for sulphuric acid which has to be made when zinc concentrates are roasted, manufactures phosphoric acid, triple superphosphate and diammonium phosphate, all of which are in oversupply and for which markets are very depressed. For 1970 a net loss of $336,000 was experienced but cash flow was $213,000. A net loss is forecast for 1971.

### GENCO

General Smelting Company of Canada Ltd., which operates a secondary metal plant at Burlington, Ontario had a net profit after tax of $76,800 and a cash flow of $284,000 for 1970.

### OUTSIDE EXPLORATION

Your Company continued its exploration programmes in the Sturgeon Lake area of Ontario, as well as in other areas. The exploration staff directed the drilling of what is now known as the Mattabi orebody as well as the plant site area until the responsibilities were taken over by the staff of Mattabi Mines Limited. Costs incurred were charged to investment in subsidiary companies.

Exploration expenditures for 1970 totalled $652,-000. Only a small amount of this was spent outside of the Sturgeon Lake area. Exploration costs at Sturgeon were spread over the 545 claims held and the Abitibi Block No. 7 ground except as noted above.

The exploration budget for 1971 is $650,000.

## MATTABI MINES LIMITED

Mattabi Mines Limited, an Ontario company, was incorporated on September 25, 1970 with a capitalization of 5,000,000 shares. Mattabi will issue 400,000 shares to Abitibi Paper Company and 600,000 shares to Mattagami Lake Mines, to acquire 2,880 acres containing the orebody and additional surface rights for tailings disposal.

It is not expected that further shares of Mattabi will be issued as capital loans totalling $39,000,000 are being arranged through Canadian banks to bring the property into production. Interim financing is being provided by Mattagami. To December 31, Mattagami had loaned $2,245,000, pending completion of bank financing.

The report of the General Manager contains details of work in progress.

## METAL MARKETS

### Zinc

Under the impact of deflationary pressures and the General Motors' strike, consumption in the United States declined 18% in 1970. As a result, world consumption fell by 4% to 4,350,000 tons, the first reduction in fourteen years. Smelter cutbacks decreased metal production 3% and held stock increases to tolerable levels.

The U.S. and Canadian prices decreased ½¢ in September to 15¢ per pound, while the overseas price remained at the equivalent of 14¢ U.S. per pound.

With expected improvement in the U.S. economy, particularly in construction and automobiles, the traditional growth pattern in zinc consumption should be re-established in 1971.

### Copper

World mine and refined production increased by 400,000 tons and 200,000 tons respectively. However, refined deliveries were unchanged as the downturn in U.S. demand offset increases overseas.

The U.S. producers' price was increased 4¢ to 60¢ in March and then decreased to 56¢ in October and 53¢ per pound in November. Overseas, the London Metal Exchange price dropped from 81.75¢ U.S. in mid-April to 61.5¢ by mid-year and 47¢ by year end. In Canada after the domestic producers suspended their increase in January and February, the Government allowed an increase of only 2¢ to 59¢ per pound, which was reduced in October to 57.3¢ and 53.75¢ in early December.

The Directors express to Mr. M. W. Airth, Director and General Manager of Mattagami, to Mr. K. H. Heino, Manager of Canadian Electrolytic Zinc, to Mr. J. C. White, Manager of Mattabi Mines, to Mr. O. A. Davies, Manager of General Smelting Company of Canada, to Mr. M. S. Scott, Manager of St. Lawrence Fertilizers and to their staff members, their appreciation for the effective way in which they discharged their responsibilities during the year.

On behalf of the Board,

W.S. Row

President.

Toronto, Ontario,
February 10, 1971.

## REPORT OF THE GENERAL MANAGER

### To the President and Directors, MATTAGAMI LAKE MINES LIMITED

Dear Sirs:

Operations at the property during the year ended December 31, 1970 are reviewed in the following report.

| | 1970 | 1969 |
|---|---|---|
| Ore milled dry tons | 1,430,864 | 1,413,651 |
| Daily rate | 3,920 | 3,873 |
| Calculated grade of ore milled | | |
| Zinc % | 9.1 | 9.6 |
| Copper % | 0.59 | 0.62 |
| Gold Oz/ton | 0.014 | 0.011 |
| Silver Oz/ton | 0.86 | 1.02 |
| Zinc Concentrate Produced | | |
| Short dry tons | 221,739 | 232,125 |
| Grade Zinc % | 53.1 | 52.7 |
| Copper Concentrate Produced | | |
| Short dry tons | 30,989 | 31,650 |
| Grade Copper % | 20.2 | 20.3 |
| Gold Oz/ton | 0.130 | 0.133 |
| Silver Oz/ton | 7.39 | 9.93 |

The zinc concentrate was shipped to the Canadian Electrolytic Zinc plant at Valleyfield, Quebec, to Quebec City for export overseas and to the United States.

The copper concentrate was all shipped to the smelter of Noranda Mines Limited.

### MILLING

The mill operated 97.7% of the possible time and the recoveries were as follows:

| | 1970 | 1969 |
|---|---|---|
| Zinc % | 90.3 | 90.4 |
| Copper % | 74.2 | 73.5 |

Copper concentrate grade was essentially unchanged from 1969.

Zinc concentrate grade was slightly higher in 1970.

### MINING

Mine development was continued in stope and pillar preparation, mainly in the No. 1 orebody. This effort was mostly directed towards the preparation of pillars and the ore below the 750-foot level for mining by the load-haul-dump method.

Excavation of the conveyorway on the 960-foot level was completed and installation of the conveyor was in progress at the year end. The 960 crusher room excavation fell behind schedule when unstable ground was encountered. Excavation was resumed after an extensive programme of rock bolting and installation of steel support. The drive on the 750-foot level in the low grade Ni-Cu zone was continued during the year and diamond drilling confirmed the continuation of sub-economic mineralization.

SUMMARY OF DEVELOPMENT FOR 1970

| | Level Development | | Stope Preparation | | Diamond Drilling | |
|---|---|---|---|---|---|---|
| Level | Drifts & Raises Feet | Slash Cu. Feet | Advance Feet | Slash Cu. Feet | No. of Holes | Total Feet |
| 150 | 162 | 70 | 584 | 3,015 | 3 | 290 |
| 350 | 130 | 10,695 | 1,198 | 10,190 | 16 | 2,126 |
| 550 | 23 | 7,730 | 1,734 | 20,860 | 12 | 1,102 |
| 750 | 2,870 | 28,265 | 5,305 | 50,015 | 54 | 6,412 |
| 870 | 184 | 780 | 2,441 | 7,705 | — | — |
| 960 | 229 | 21,225 | — | — | 4 | 460 |
| TOTAL | 3,668 | 68,765 | 11,262 | 91,795 | 89 | 10,390 |

Extension rod drilling amounted to 763,911 feet of two-inch hole. At year end there was a drilled off tonnage in stopes and pillars of 1,495,170 at 9.3% Zn and 0.54% Cu. There has been an increase of 25.5% in this drilling over 1969, due to a greater percentage of pillar extraction and an endeavour to completely drill off each stoping block prior to mining.

### ORE RESERVES

The proven ore above the 960-foot horizon, calculated to mining outline, now stands as follows for the No. 1 orebody.

| Tons | % Zinc | % Copper | Gold Oz./ton | Silver Oz./ton |
|---|---|---|---|---|
| 15,200,418 | 9.2 | 0.66 | 0.012 | 1.08 |

In No. 2 orebody the ore reserves calculated to mining outline, are as follows:

| Tons | % Zinc | % Copper | Gold Oz./ton | Silver Oz./ton |
|---|---|---|---|---|
| 1,495,814 | 9.4 | 0.66 | 0.013 | 1.07 |

Total ore reserves in both No. 1 and 2 orebodies, and without allowances for dilution are as follows:

| Tons | % Zinc | % Copper | Gold Oz./ton | Silver Oz./ton |
|---|---|---|---|---|
| 16,696,232 | 9.2 | 0.66 | 0.012 | 1.08 |

Ore reserves show depletion of 549,722 tons, after removal of 1,435,864 tons and the addition of 886,142 tons of new ore.

### FILLING

During the year a record 840,115 tons of classified tailings fill were placed for backfilling completed stopes. This tonnage represents 71.3% of the flotation tailings. Another 191,623 tons of pit sand were also placed. To date a total of 4,189,882 tons of backfill has been introduced into completed stopes. There are 29 stopes filled, 8 being filled and 3 being prepared for filling.

### PILLAR EXTRACTION

The pillar ore extracted during the past year made up 57.6% of the total ore mined. To date 2 pillars have been mined from between masses of unconsolidated fill. A third is being prepared for mining. Load-haul-dump units have proven effective in this work.

## SURFACE EXCAVATION & CROWN PILLAR

The removal of overburden from the southeastern end of No. 1 orebody was completed during the year. Total overburden removed during the winter months over the past three years amounted to 1,853,792 cubic yards. This allows the mining to surface of the extreme eastern end of No. 1 orebody, which is presently in progress.

This stripping has outlined a higher bedrock-overburden contact than was indicated. This area, representing approximately 250,000 tons of 9.0% Zn and 0.61% Cu, is presently being mined as a surface open cut operation. All broken ore is passed to the underground orepass through a stope slot raise.

## DIAMOND DRILLING

Only underground diamond drilling for ore definition was carried out during the year. This drilling is shown under Summary of Development for 1970.

## PERSONNEL

The number of employees at the end of 1970 was 454, an increase of 9 over the 1969 figure.

Operating efficiencies were slightly lower at 12.3 tons milled per man shift worked compared to 12.7 in 1969.

Personnel turnover declined to 4.9% per month from 6.2% in 1969. At year end 78% of the employees had a seniority of one year or more, a real improvement over the 1969 figure of 69%.

Production crews participated in two brief wildcat strikes during the month of June. Production was at reduced rates during these periods but the yearly overall production was maintained in spite of the interruptions.

There were 7 compensable injuries during the year for a compensable accident rate of 7.5 per million man hours, substantially better than the average of 16.9 for the industry in the province.

## MATTABI MINES LIMITED

This company was incorporated in September, 1970 and is owned 60% by Mattagami Lake Mines and 40% by Abitibi Paper Company. The property consists of 2,880 acres containing the orebody discovered by Mattagami Lake's exploration staff in late 1969 on Abitibi's timber limit Block 7, Sturgeon Lake, Northwestern Ontario. The mine is now being developed for a planned production rate of 3,000 tons per day.

An 11-mile access road was completed from Ontario Highway 5 to the minesite in the fall of 1970. At December 31, 1970 the work in progress, included clearing an additional 300 acres for mine and plant site, the clearing of 54 miles of hydro line right-of-way, site grading and installation of sewage and other services for the plant and 600-man construction camp. The permanent cafeteria was nearly assembled, the main office was ready to be closed in and foundations were started for the general services building. Seven trailer homes at Ignace were occupied by Mattabi's staff. The stripping contractor had mobilized equipment and started to remove overburden from the open pit area at an efficient rate.

Metallurgical research work, flow sheet and concentrator design were mainly finalized. Also, many of the long delivery items of equipment had been placed on order. The start of operations is targeted for as early as possible in 1972, hopefully by mid-year.

The geological ore reserves as estimated at August 31, 1970 were 12,866,000 tons grading 7.60% zinc, 0.91% copper, 0.84% lead, 3.13 oz. silver and 0.007 oz. gold per ton. Of this, some 8,236,000 tons grading 8.90% zinc, 1.06% copper, 0.99% lead, 3.98 oz. silver and 0.008 oz. gold per ton will be mined initially by open pit method and later phased with extraction of the deeper ore by underground methods.

Mr. John C. White, formerly assistant manager of Gaspe Copper Mines Limited, was appointed mine manager of the property in the spring of 1970 and by year end had assembled several of his key operating staff.

## OUTSIDE EXPLORATION PROGRAMME

The Exploration Division of Mattagami Lake Mines directed all exploration programmes from a Toronto office. Of 45 mining properties submitted, six were examined in the field and negotiations to option are under way on two.

Exploration continues in the Sturgeon Lake area of northwestern Ontario, and in 1970 all of the company's exploration attention was focussed there, except for the completion of a previous programme in Abitibi East County in northwestern Quebec. The company now holds 545 claims in a number of different groups in the Sturgeon Lake area. Work in this area consisted of line cutting, geophysical surveying, geological mapping and geochemical sampling on the various claim groups. In addition to supervising 86,000 feet of exploration diamond drilling on the various groups, exploration personnel supervised 114,980 feet of development and plant site test drilling for the SL–16 project which, as of October 1, 1970, came under the direction of Mattabi Mines Limited.

In March, 1970 mineralization was encountered in drilling an anomaly on the company's wholly-owned claim Group F, consisting of 17 claims lying immediately adjacent to the west boundary of Abitibi's Block 7. Nineteen holes totalling 13,064 feet were drilled in the F Zone but more drilling is required before an evaluation of this discovery can be attempted.

Nothing of economic interest had been located to the year end on the company's other properties in the Sturgeon Lake area.

A programme of diamond drilling is planned for 1971 on some of these groups.

## GENERAL

There was continuing growth in the Town of Matagami. For the accommodation of our employees twelve prefabricated houses were erected during the year and were well received.

Further improvements were made to the nine-hole golf course. Clearing timber around fairways, improvement of drainage and erection of a clubhouse were appreciated by the members.

The employees Recreation Association enjoyed a very successful year.

I wish to thank the President, the Officers and Directors of the company for their assistance and support throughout the year.

I would like also to mention the hard work, loyalty and full co-operation of the staff and employees.

M. W. Airth

Matagami, Quebec,
February 2, 1971

M. W. AIRTH, P.Eng.,
General Manager.

MATTAGAMI LAKE MINES LIMITED *(Incorporated under the laws of Quebec)*
(NO PERSONAL LIABILITY)

# BALANCE SHEET—

## ASSETS

| | 1970 | 1969 |
|---|---|---|
| **Current assets:** | | |
| Cash and short-term deposits | $ 6,804,251 | 11,726,018 |
| Settlements receivable | 1,802,638 | 3,510,302 |
| Taxes recoverable | 585,764 | 53,600 |
| Other accounts receivable | 633,539 | 942,523 |
| Concentrates and metal at reduction plants and in transit at estimated net realizable value | 9,447,810 | 8,973,217 |
| Prepaid expense and deposits | 137,894 | 108,827 |
| | 19,411,896 | 25,314,487 |
| **Fixed assets,** at cost less accumulated depreciation: | | |
| Buildings, plant and equipment: | | |
| Mine site | 20,390,562 | 19,769,006 |
| Zinc plant | 19,575,000 | 18,977,520 |
| | 39,965,562 | 38,746,526 |
| Less accumulated depreciation | 24,519,148 | 20,553,894 |
| | 15,446,414 | 18,192,632 |
| Mining property and rights | 2,503,021 | 2,503,021 |
| Land—zinc plant | 85,640 | 85,640 |
| | 18,035,075 | 20,781,293 |
| **Investments:** | | |
| In partly owned subsidiaries (note 1): | | |
| Shares | 950,180 | 947,666 |
| Advances | 8,046,536 | 3,999,264 |
| | 8,996,716 | 4,946,930 |
| In other companies, at cost | 427,227 | 234,881 |
| | 9,423,943 | 5,181,811 |
| **Other assets:** | | |
| Preproduction and development expenses, at cost less amounts written off | 2,398,865 | 2,298,358 |
| Mine stores and supplies, at cost | 638,347 | 666,422 |
| | 3,037,212 | 2,964,780 |
| | $49,908,126 | 54,242,371 |

See accompanying notes to financial statements.

## AUDITORS' REPORT

We have examined the balance sheet of Mattagami Lake Mines Limited as of December 31, 1970 and the statements of net income and retained earnings and source and application of funds for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, except that the provision for income taxes and Quebec mining duties

Toronto, Ontario
February 9, 1971

## ECEMBER 31, 1970 with comparative figures for 1969

### LIABILITIES

| | 1970 | 1969 |
|---|---|---|
| **Current liabilities:** | | |
| Accounts payable and accrued liabilities | $ 1,213,520 | 913,163 |
| Income taxes payable (note 4) | 427,800 | 3,094,449 |
| | 1,641,320 | 4,007,612 |
| **Shareholders' equity:** | | |
| Capital stock (note 3): | | |
| Shares of a par value of $1 each. Authorized 7,000,000 shares; issued 6,608,525 shares | 6,608,525 | 6,605,850 |
| Premium on shares | 1,591,132 | 1,562,536 |
| | 8,199,657 | 8,168,386 |
| Retained earnings (note 4) | 40,067,149 | 42,066,373 |
| | 48,266,806 | 50,234,759 |
| | $49,908,126 | 54,242,371 |

On behalf of the Board:

W. S. ROW, Director.

J. B. REDPATH, Director.

## ) THE SHAREHOLDERS

have not been computed on the tax allocation basis as explained in note 4, and according to the best of our information and the explanations given to us and as shown by the books of the company, these financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company at December 31, 1970 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & CO.,
Chartered Accountants

## STATEMENT OF NET INCOME AND RETAINED EARNINGS
### Year ended December 31, 1970
### with comparative figures for 1969

| | 1970 | 1969 |
|---|---|---|
| Gross value of metals produced | $40,259,610 | 41,637,075 |
| Less smelter and transportation charges | 9,052,075 | 8,913,415 |
| | 31,207,535 | 32,723,660 |
| **Expenditures:** | | |
| Mine and zinc reduction plant expenses | 13,351,724 | 12,816,848 |
| Administration and corporate expenses | 379,651 | 301,196 |
| | 13,731,375 | 13,118,044 |
| | 17,476,160 | 19,605,616 |
| **Depreciation and amortization:** | | |
| Buildings, plant and equipment | 3,996,556 | 3,874,652 |
| Preproduction and deferred development expenses | 995,315 | 995,315 |
| | 4,991,871 | 4,869,967 |
| Net operating income | 12,484,289 | 14,735,649 |
| Other income—interest | 1,119,522 | 966,841 |
| | 13,603,811 | 15,702,490 |
| **Other charges:** | | |
| Exploration expenses | 651,935 | 584,912 |
| Share of net losses less net profits of subsidiaries (note 1) | 210,000 | 497,878 |
| | 861,935 | 1,082,790 |
| | 12,741,876 | 14,619,700 |
| **Income taxes** (note 4): | | |
| Federal and provincial | 3,714,000 | 4,285,000 |
| Quebec mining duties | 1,116,000 | 1,240,000 |
| | 4,830,000 | 5,525,000 |
| Net income for the year | 7,911,876 | 9,094,700 |
| Retained earnings at beginning of year | 42,066,373 | 42,876,038 |
| | 49,978,249 | 51,970,738 |
| Cash dividends | 9,911,100 | 9,904,365 |
| Retained earnings at end of year | $40,067,149 | 42,066,373 |
| Earnings per share | $1.20 | $1.38 |



See accompanying notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS
**December 31, 1970**

1. The assets and liabilities and income and expense of the partly owned subsidiary companies have not been consolidated since four of them are part of a joint venture with four other mining companies and their operations are different from the mining operations of the company, one of them, Mattabi Mines Limited, is in the early stages of development and the remaining two companies are inactive mining companies which are not significant in the circumstances. However, the company's share of the net losses less net profits since acquisition of the partly owned subsidiary companies have been included in the carrying value of the shares of and advances to these companies.
2. Financing to the amount of $39,000,000 is being arranged which management estimates to be sufficient to bring the Mattabi mine into production.
3. Under the provisions of The Stock Option Plan, options on 10,500 shares were granted during the year and options of 2,675 were exercised for $31,271 cash of which $2,675 was attributed to capital stock and $28,596 to premium on shares. At December 31, 1970 options were outstanding as follows:

| Number of shares | Price | To be exercised on or before |
|---|---|---|
| 7,975 | $11.69 | August 6, 1978 |
| 3,000 | 25.20 | November 12, 1979 |
| 4,000 | 26.34 | April 13, 1980 |
| 6,500 | 23.32 | July 9, 1980 |

4. The company claims capital cost allowances and depreciation for federal and provincial income tax and Quebec mining duty purposes in excess of the related amounts in the company's accounts and provides in its accounts only for taxes payable on its taxable income for the year.

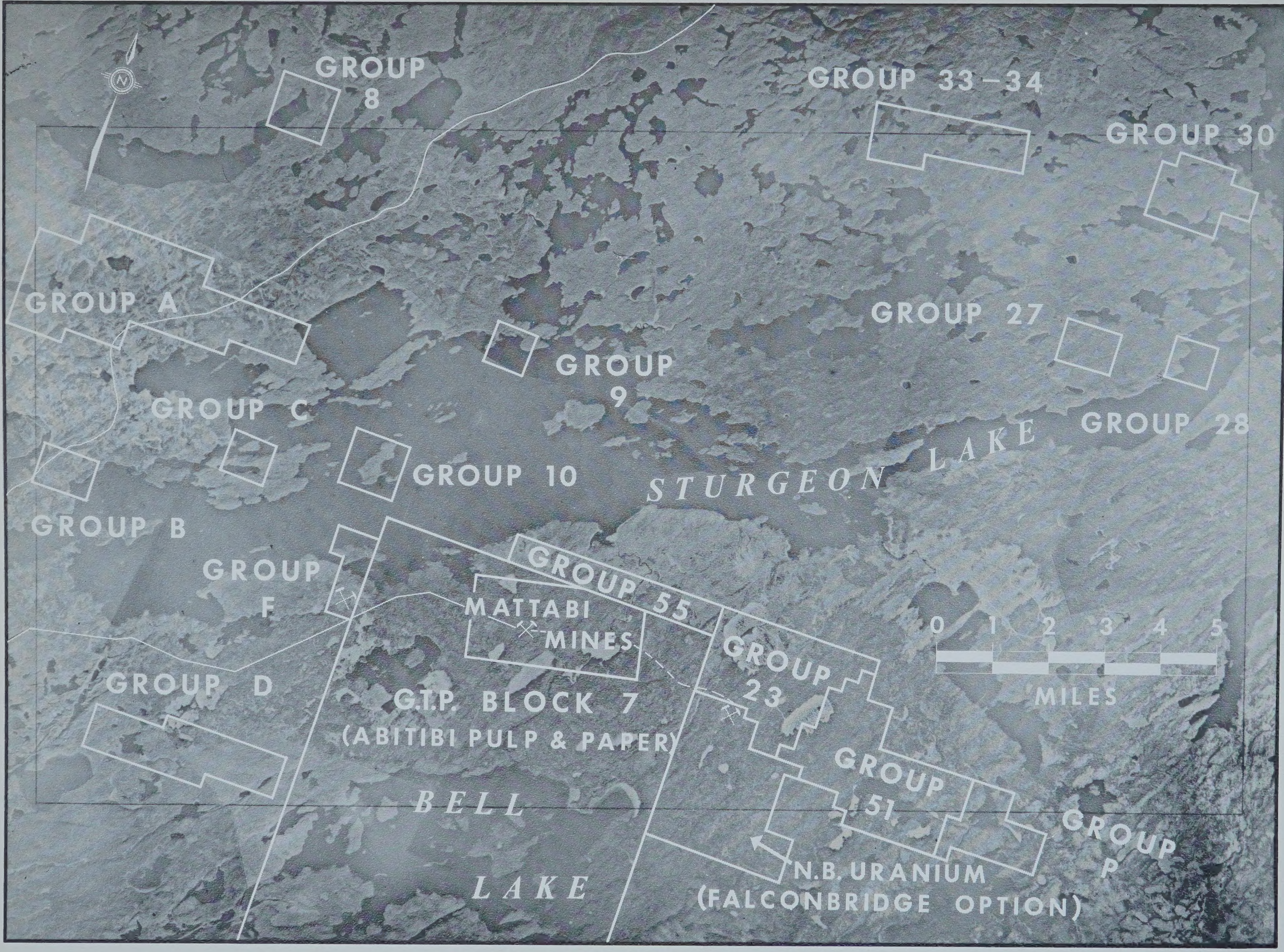
   This accounting treatment differs from the tax allocation basis by which the income tax provision is based on income reported in the accounts. If the tax allocation basis had been followed in 1970, net income would have been reduced by $480,000 (1969—$1,600,000), earnings per share would have been reduced by 7 cents (1969—24 cents), and the cumulative amount of deferred tax credits to December 31, 1970 would have been $3,720,000.
5. The aggregate direct remuneration paid to directors and senior officers during 1970 was $128,500.

## STATEMENT OF SOURCE AND APPLICATION OF FUNDS
### Year ended December 31, 1970
### with comparative figures for 1969

| | 1970 | 1969 |
|---|---|---|
| Working capital, beginning of year | $21,306,875 | 19,012,232 |
| **Funds provided:** | | |
| From operations: | | |
| Net profit | 7,911,876 | 9,094,700 |
| Charges not requiring cash expenditure: | | |
| Depreciation and amortization | 4,991,871 | 4,869,967 |
| Share of net losses less net profits of subsidiaries | 210,000 | 497,878 |
| | 13,113,747 | 14,462,545 |
| Sale of fixed assets | — | 835,963 |
| Sale of capital stock | 31,271 | 57,867 |
| 5% Refundable tax due within one year | — | 53,600 |
| Decrease in mine stores and supplies | 28,075 | 46,666 |
| | 59,346 | 994,096 |
| Total funds provided | 13,173,093 | 15,456,641 |
| **Used as follows:** | | |
| Purchase of fixed assets (net): | | |
| Buildings, plant and equipment: | | |
| Mine site | 652,665 | 523,945 |
| Zinc plant | 597,673 | 235,105 |
| | 1,250,338 | 759,050 |
| Cash dividends | 9,911,100 | 9,904,365 |
| Investments and advances (net) | 4,452,132 | 1,508,060 |
| Development expenses deferred | 1,095,822 | 990,523 |
| Total funds used | 16,709,392 | 13,161,998 |
| Addition to (reduction in) working capital | (3,536,299) | 2,294,643 |
| Working capital, end of year | $17,770,576 | 21,306,875 |



See accompanying notes to financial statements.




Location of properties, Sturgeon Lake area, Ontario.

Printed in Canada
Sampson Matthews Ltd.

Printed in Canada

Joe

# MATTAGAMI LAKE MINES LIMITED

(No Personal Liability)

## SEMI-ANNUAL REPORT TO SHAREHOLDERS

Six Months Ended June 30

1970

# MATTAGAMI LAKE MINES LIMITED

(No Personal Liability)

## SEMI-ANNUAL REPORT TO SHAREHOLDERS

| | Six Months Ended June 30 (Estimated) | |
|---|---|---|
| **OPERATIONS** | 1970 | 1969 |
| Tons milled | 697,188 | 709,656 |
| Zinc Concentrate Production — tons | 107,893 | 113,218 |
| Copper Concentrate Production — tons | 14,783 | 14,481 |
| Gross value of metal produced | $20,660,000 | $19,585,000 |
| Less: Smelter and transportation charges | 4,318,000 | 4,673,000 |
| Net revenue | 16,342,000 | 14,912,000 |
| Cost of production | 6,641,000 | 6,342,000 |
| Exploration expenses | 271,000 | 284,000 |
| Depreciation and amortization | 2,478,000 | 2,562,000 |
| | 9,390,000 | 9,188,000 |
| Net operating income | 6,952,000 | 5,724,000 |
| Interest income | 610,000 | 455,000 |
| Income before other charges and taxes | 7,562,000 | 6,179,000 |
| Write down of investments and advances | — | 411,000 |
| Income taxes and Quebec mining duties | 3,201,000 | 2,100,000 |
| | 3,201,000 | 2,511,000 |
| Net income | $ 4,361,000 | $ 3,668,000 |
| Net income per share | $ .66 | $ .56 |

### SOURCE AND APPLICATION OF FUNDS

| | | |
|---|---|---|
| Source: Operations — net income | $ 4,361,000 | $ 3,668,000 |
| — depreciation and amortization | 2,478,000 | 2,562,000 |
| — write down of investment and advances | — | 411,000 |
| — other | 12,000 | 13,000 |
| | 6,851,000 | 6,654,000 |
| Application: Dividends | 3,964,000 | 3,961,000 |
| Fixed assets | 420,000 | 349,000 |
| Deferred development | 2,477,000 | 885,000 |
| Stores | 65,000 | — |
| Investments and advances | 297,000 | 542,000 |
| | 7,223,000 | 5,737,000 |
| Increase (Decrease) in working capital | $ (372,000) | $ 917,000 |

On Abitibi Block No. 7, Mattagami has exploration and development rights on an area of 36 square miles under an agreement which provides that any commercial orebody found will be transferred to a company owned 60% by Mattagami and 40% by the Abitibi Paper Company.

To date, 74,701 feet of drilling in 95 holes has been completed in outlining an orebody on Abitibi Block No. 7. Ore reserves calculated to date total 12,402,746 tons averaging .0070 oz. gold, 3.04 oz. silver per ton and 7.6% zinc, .91% copper and .82% lead. Of this total, 10,631,098 tons averaging .0075 oz. gold and 3.19 oz. silver per ton, and 7.71% zinc, .93% copper and .85% lead are proven and 1,771,698 tons averaging .0040 oz. gold and 2.52 oz. silver per ton and 7.41% zinc, .81% copper and .61% lead are in the possible category. Drilling is continuing to further outline and extend ore reserves.

From surface to the 500 foot horizon, there are estimated 10,472,399 tons of ore which includes 9,436,658 tons of proven ore and 1,035,741 tons of possible ore. Of this tonnage, 8,412,849 tons averaging .0095 oz. gold and 4.01 oz. silver per ton and 9.38% zinc, 1.01% copper and 1.02% lead will be mineable by open-pit methods.

Production plans for a 3,000 tons per day operation on Abitibi Block No. 7 are under discussion with a target production date as early as possible in 1972 .

Preliminary estimates indicate that this open-pit mining and concentrating project to produce zinc, copper and lead concentrates would cost in excess of $36 million.